

Audit Report

Genesee County Health Department WIC Program

October 1, 2002 – September 30, 2003



Office of Audit
Quality Assurance and Review Section
February 2005



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GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF COMMUNITY HEALTH
OFFICE OF AUDIT
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JANET OLSZEWSKI
DIRECTOR

February 24, 2005

Robert Pestronk, M.P.H.
Health Officer
Genesee County Health Department
630 S. Saginaw Street
Flint, Michigan 48502-1540

Dear Mr. Pestronk:

Enclosed is our final report from the Michigan Department of Community Health (MDCH) audit of the Genesee County Health Department WIC Program for the period October 1, 2002 through September 30, 2003.

The final report contains the following: description of agency; funding methodology; purpose and objectives; scope and methodology; conclusions, findings and recommendations; Statement of MDCH Grant Program Revenues and Expenditures; and corrective action plans. The conclusions, findings, and recommendations are organized by audit objective. We amended Finding 1 based on your reply to the Preliminary Analysis. The corrective action plans include the agency's paraphrased response to the Preliminary Analysis.

Thank you for the cooperation extended throughout this audit process.

Sincerely,

A handwritten signature in cursive script, reading "Debra S. Hallenbeck".

Debra S. Hallenbeck, Manager
Quality Assurance and Review
Office of Audit

cc: Alethia Carr, Director, WIC Division
James B. Hennessey, Director, Office of Audit
David Figg, Audit Manager, Office of Audit

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DESCRIPTION OF AGENCY

The Genesee County Health Department (Health Department) is governed under the Public Health Code, Act 368 of 1978. The Health Department is a Special Revenue Fund of Genesee County, and the administrative office is located in Flint, Michigan. The Health Department operates under the legal supervision and control of the Board of Commissioners of Genesee County. The Health Department provides community health program services to the residents of Genesee County. These service programs include: Food Service Sanitation, On-Site Sewage, Drinking Water, Vision Screening, Hearing Screening, Immunizations, Sexually Transmitted Disease Control, AIDS/HIV Prevention, Tobacco Reduction, Breast and Cervical Cancer Control, Children's Special Health Care Services, Childhood Lead, Family Planning, Outreach for Medicaid and MI-Child, and Women Infants and Children (WIC) Supplemental Food Program.

FUNDING METHODOLOGY

The Health Department services are funded from local appropriations, fees and collections, and grant programs. The Michigan Department of Community Health (MDCH) provides the Health Department with grant funding monthly, based on Financial Status Reports, in accordance with the terms and conditions of each grant agreement and budget.

Grant funding from MDCH for the WIC Program is federal funding under federal catalog number 10.557, and is first source funding, subject to performance requirements. That is, reimbursement from MDCH is based upon the understanding that a certain level of performance (measured in caseload established by MDCH) must be met in order to receive full reimbursement of costs (net of program income and other earmarked sources) up to the contracted amount of grant funds prior to any utilization of local funds.

PURPOSE AND OBJECTIVES

The purpose of this audit was to assess the WIC Program internal controls and financial reporting, and to determine the MDCH share of WIC Program costs. The following were the specific objectives of the audit:

1. To assess the Health Department's effectiveness in establishing and implementing internal controls over the WIC Program.
2. To assess the Health Department's effectiveness in reporting their WIC Program financial activity to MDCH in accordance with applicable MDCH requirements and agreements, applicable federal standards, and generally accepted accounting principles.
3. To determine the MDCH share of costs for the WIC Program in accordance with applicable MDCH requirements and agreements, and any balance due to or due from the Health Department.

SCOPE AND METHODOLOGY

We examined the Health Department's records and activities for the fiscal period October 1, 2002 to September 30, 2003. We performed our review procedures in July 2004. Our review procedures included the following:

- Reviewed the most recent Genesee County Single Audit report for any WIC Program concerns.
- Completed the internal control questionnaire.
- Reconciled the WIC Program Financial Status Report (FSR) to the accounting records.
- Reviewed payroll expenditures.
- Tested a sample of expenditures for program compliance, and policy and approval procedures.
- Reviewed indirect cost and other cost allocations for reasonableness, and an equitable methodology.
- Reviewed building space/lease costs for proper reporting and compliance with Federal Requirements.
- Reviewed WIC equipment inventory records and general Agency equipment inventory records.
- Reviewed WIC coupon inventory controls.

Our audit did not include a review of program content or quality of services provided.

CONCLUSIONS, FINDINGS AND RECOMMENDATIONS

INTERNAL CONTROLS

Objective 1: To assess the Health Department's effectiveness in establishing and implementing internal controls over the WIC Program.

Conclusion: The Health Department was generally effective in establishing and implementing internal controls over the WIC Program. No internal control exceptions were noted.

FINANCIAL REPORTING

Objective 2: To assess the Health Department's effectiveness in reporting their WIC Program financial activity to MDCH in accordance with applicable MDCH requirements and agreements, applicable federal standards, and generally accepted accounting principles.

Conclusion: The Health Department generally reported their WIC Program financial activity to MDCH in accordance with applicable MDCH requirements and agreements, applicable federal standards, and generally accepted accounting principles. However, we noted exceptions with Over-Reported Cost (Finding 1), and Misclassified Cost (Finding 2).

Finding

1. Over-Reported Cost

The Health Department over-reported September 2003 year-end expenditures.

Our review of reported expenditures identified two cases of over-reporting. In one case, a purchase order of \$8,800 was recorded in the general ledger without recognition of a partial payment of \$4,400 made in September. Both amounts were reported on the Financial Status Report (FSR) resulting in a double-reported cost of \$4,400. In another case, an expense was recorded and reported based on the purchase order of \$1,800, but the actual invoice cost was \$1,405, and the general ledger was not adjusted, resulting in an over-reported cost of \$395.

Per Office of Management and Budget (OMB) Circular A-87, Attachment A – General Principles for Determining Allowable Costs, Section C.1.g: "To be allowable under Federal awards, costs must...be determined in accordance with generally accepted accounting principles."

Other Expense was decreased by a total of \$4,795 on the attached Statement of MDCH Grant Program Revenues and Expenditures. This adjustment does not affect the WIC grant funds.

Recommendation

We recommend that the Health Department implement review procedures to ensure that actual WIC year-end costs are reported based on generally accepted accounting principles.

Finding

2. Misclassified Cost

The Health Department misclassified twelve (12) expenditures in the General Ledger and on the FSR.

Twelve expenditures in aggregate of \$39,807 were misclassified among four line items of the General Ledger and WIC Program FSR.

Per Office of Management and Budget (OMB) Circular A-87, Attachment A – General Principles for Determining Allowable Costs, Section C.1.g: “To be allowable under Federal awards, costs must...be determined in accordance with generally accepted accounting principles.”

These expenditure classifications are corrected on the attached Statement of MDCH Grant Program Revenues and Expenditures. The reclassifications do not have an effect on the WIC grant funds.

Recommendation

We recommend that the Health Department implement review procedures to ensure that expenditures are classified to the proper line items, in accordance with generally accepted accounting principles.

MDCH SHARE OF COSTS AND BALANCE DUE

Objective 3: To determine the MDCH share of costs for the WIC Program in accordance with applicable MDCH requirements and agreements, and any balance due to or due from the Health Department.

Conclusion: The MDCH obligation under the WIC Program for fiscal year ended September 30, 2003, is \$1,269,987. The attached Statement of MDCH Grant Program Revenues and Expenditures shows the budgeted, reported, and allowable costs. The audit adjustments had no effect on WIC grant program funding.

**Genesee County Health Department
WIC Supplemental Food Program
Statement of MDCH Grant Program Revenues and Expenditures
10/1/02 - 9/30/03**

	BUDGETED	REPORTED	AUDIT ADJUSTMENT	ALLOWABLE
REVENUES:				
MDCH Grant	\$1,269,987	\$1,269,987 ¹	\$0	\$1,269,987
Local and Other Funds	\$475,496	\$267,236	(\$4,795)	\$262,441
TOTAL REVENUES	\$1,745,483	\$1,537,223	(\$4,795)	\$1,532,428
EXPENDITURES:				
Salary and Wages	\$880,469	\$733,588	\$0	\$733,588
Fringe Benefits	\$357,269	\$312,346	\$0	\$312,346
Equipment	\$0	\$0	\$0	\$0
Contractual	\$12,703	\$44,386	(\$14,408) ²	\$20,139
			(\$10,411) ³	
			(\$6,928) ⁴	
			\$7,500 ⁵	
Supplies	\$27,100	\$12,325	\$10,411 ³	\$22,736
Travel	\$1,500	\$1,269	\$560 ⁶	\$1,829
County Central Service Cost	\$0	\$0	\$0	\$0
Space Cost	\$0	\$0	\$0	\$0
Communications and Other Expense	\$16,962	\$24,307	\$14,408 ²	\$32,788
			\$6,928 ⁴	
			(\$7,500) ⁵	
			(\$560) ⁶	
			(\$4,400) ⁷	
			(\$395) ⁷	
Indirect Cost	\$341,333	\$297,777	\$0	\$297,777
Alloc. Personal Health Services	\$108,147	\$111,225	\$0	\$111,225
TOTAL EXPENDITURES	\$1,745,483	\$1,537,223	(\$4,795)	\$1,532,428

¹ Actual MDCH payments.

² Reclassify Communications Expense From Contractual – Finding 2

³ Reclassify Office and Medical Supplies Expense From Contractual – Finding 2

⁴ Reclassify Other Expense From Contractual – Finding 2

⁵ Reclassify Contractual Expense From Other – Finding 2

⁶ Reclassify Travel/Training Expense From Other – Finding 2

⁷ Over-Reported Cost - Finding 1

Corrective Action Plan

Finding Number: 1

Page Reference: 3

Finding: Over-Reported Cost

The Health Department over-reported September 2003 year-end expenditures.

Recommendation: Implement review procedures to ensure that actual WIC year-end costs are reported based on generally accepted accounting principles.

Comments: The Health Department agrees with this finding.

Corrective Action: The Accounting Supervisor will review year-end accounts payable purchase order entries to ensure purchase orders are only set up for the remaining balance.

Anticipated

Completion Date: Starting fiscal year-end September 2004 with full compliance fiscal year-end September 2005.

MDCH Response: No comment.

Corrective Action Plan

Finding Number: 2

Page Reference: 4

Finding: Misclassified Cost

The Health Department misclassified twelve (12) expenditures in the General Ledger and on the FSR.

Recommendation: Implement review procedures to ensure that expenditures are classified to the proper line items, in accordance with generally accepted accounting principles.

Comments: The Health Department agrees with this finding. The reclassifications listed are for expenditures related to special project funding they were trying to keep separate.

Corrective Action: The Health Department will review expenditures to ensure proper classification during year ending 9/30/05.

Anticipated

Completion Date: Immediately.

MDCH Response: No comment.

[illegible]